

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 FEA-01 INT-05 OES-03 L-02 /088 W

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R 190730Z MAR 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 0000

INFO AMEMBASSY PARIS

C O N F I D E N T I A L KINSHASA 2291

E.O. 11652: GDS

TAGS: EFIN CG FR

SUBJECT: ZAIRE FINANCIAL SITUATION: FRENCH AMBASSADOR'S REACTION

REF: STATE 55419

1. WHEN FRENCH AMBASSADOR ANDRE ROSS CALLED TODAY (MARCH 18) TO SEEK MY ASSESSMENT OF ZAIRIAN ECONOMIC SITUATION, I GAVE HIM MATTER OF FACT ACCOUNT OF WHAT I KNEW, CONCLUDING THAT PRESIDENT MOBUTU HAD OPTED FOR DO-IT-YOURSELF REFORM PROGRAM, HAVING TOLD HIS COLLABORATORS THAT THANKS TO COOPERATION OF FRENCH GOVERNMENT, HE WOULD BE RECEIVING LARGE PETRODOLLAR BANK LOAN. ROSS COUGHED, GULPED, AND OTHERWISE GAVE CONVINCING PERFORMANCE OF THIS BEING NEWS TO HIM. HE SAID HE HAD NOTHING FROM PARIS AND THAT BISENGIMANA TRIP HAD BEEN IN CONNECTION WITH PROPOSED CONSUMER/PRODUCER CONFERENCE. ME MENTIONED THAT BISENGIMANA HAD BEEN RECEIVED BY SECRETARY GENERAL OF THE ELYSEE, PIERRE BROSSOLETTE, BUT THAT AS FAR AS HE KNEW HAD BEEN NOWHERE NEAR THE MINISTER OF FINANCE. IF MCGREW AND BROSSOLETTE ARE STILL ON GOOD TERMS, THIS MIGHT BE CHECKED. (I DID NOT TELL
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ROSS THAT MOBUTU HAS TOLD PEOPLE HERE THAT BISENGIMANA

WAS RECEIVED BY PRIME MINISTER AND MINISTER OF FINANCE
NOR DID I MENTION THAT EMBASSY PARIS HAD REPORTED A
MEETING WITH FRENCH FOREIGN MINISTER.)

2. ROSS DRAGGED OUT OF ME \$250 MILLION FIGURE WHICH
I SAID WAS NOW BEING TALKED ABOUT FAIRLY WIDELY HERE
IN BANKING CIRCLES. HE SUMMED UP DISCUSSION OF LOAN
BY SAYING HE SAW THREE POSSIBILITIES: FIRST, THAT
HE WAS NOT INFORMED BUT HE THOUGHT THIS UNLIKELY
AND THOUGHT IT EVEN MORE UNLIKELY THAT FRENCH GOVERNMENT
WOULD BE INVOLVED IN SUCH MASSIVE OPERATION WITHOUT
CONSULTING FUND AND USG. SECOND, THAT MOBUTU HAD
MISUNDERSTOOD AND SOMEHOW BELIEVED THAT CONTEMPLATED LONG-TERM
FRENCH INVESTMENT COULD BE MADE AVAILABLE FOR SHORT-RUN
BALANCE OF PAYMENTS SUPPORT. THIRD, THAT MOBUTU
SIMPLY SUFFERING FROM ILLUSION THAT FRENCH AND EUROPEAN
BANKERS WOULD PROVIDE SUCH LARGE SUM. I COMMENTED
THAT ILLUSION OR NOT, AND PRESUMABLY MOBUTU WOULD
LEARN SOON WHETHER LOAN PROSPECT WAS SOLID, EFFECT
WAS TO DELAY MOBUTU'S DECISION AS TO WHETHER OR NOT
DEVELOP PROGRAM WHICH IMF COULD SUPPORT AND WHICH
COULD RESTORE NEEDED CONFIDENCE IN INTERNATIONAL
FINANCIAL COMMUNITY. OF COURSE, I ADDED, IF BANKERS,
WITH OR WITHOUT ENCOURAGEMENT OF FRENCH GOVERNMENT
WANTED PROVIDE MASSIVE SUPPORT, IT MIGHT BE ENOUGH
TO GET MOBUTU THROUGH AND I COULD CERTAINLY UNDERSTAND
HIS POLITICAL PREFERENCE FOR SUCH A SOLUTION.

3. WHEN ROSS PRESSED ME CONCERNING MAGNITUDE ZAIRIAN
BALANCE OF PAYMENTS PROBLEM, I TOLD HIM ALL THE EXPERTS
DISAGREED BUT THAT MY TENTATIVE VIEW WAS THAT EVEN
THE MAJOR CUTBACKS ON IMPORTS, 1975 RECEIPTS WOULD FALL SHORT
OF COVERING EXPENDITURES BY BETWEEN \$100 AND \$200
MILLION DOLLARS. IN ADDITION, IT WAS MY VIEW THAT
SOMETHING LIKE \$300 MILLION IN PAYMENTS AGAINST
\$600 MILLION COMMERCIAL CREDIT OVERHANG WOULD BE NECESSARY TO
GET BANKS TO OPERATE FOR RESERVE BUILD-UP AND CURRENTLY
RESERVES ARE VIRTUALLY NON-EXISTENT. WITH \$250 MILLION
LOAN PLUS \$50 MILLION FROM ABU DHABI PLUS
\$100 MILLION FROM THE IMF, MOBUTU MIGHT BE ABLE TO
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SQUEAK THROUGH BUT I WOULD BE CLOSE THING. IF \$250
MILLION DOES NOT MATERIALIZE, HIS CHOICE WILL BE
BETWEEN ECONOMIC DISINTEGRATION AND EVENTUAL POLITICAL
INSTABILITY OR ACCEPTING IMF PROGRAM AND ROLE.

4. ROSS CONCLUDED SPEAKING PERSONALLY THAT \$250
MILLION WAS PURELY HYPOTHETICAL OPERATION AND THAT
IT WOULD BE IN BEST INTERESTS OF WESTERN POWERS

COLLECTIVELY TO WORK THROUGH IMF. HE ALSO SAID
HE WOULD LOOK INTO WHAT IF ANYTHING LAY BEHIND THIS "ASTONISHING
NEWS" WHILE IN PARIS LATER THIS WEEK ON CONSULTATION.
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